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SENSITIVE
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FOR WHA/EPSC AND EEB/BTA
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TAGS: ETRD ECIN HO
SUBJECT: HONDURAN PREPARATIONS FOR PATHWAYS MINISTERIAL IN
SAN SALVADOR

REF: 08 TEGUCIGALPA 1090

¶1. (U) Summary: The GOH now has a good understanding of the role of the the Pathways to Prosperity working group on spreading the benefits of trade that it agreed to coordinate. Its proposal is to focus the Pillar I work plan on policies to assist small and medium enterprises, in order to highlight its recently adopted Honduran national strategy. The GOH will likely need considerable help with logistics, coordinating with other Pathways governments and preparing a coherent final document to present to ministers in San Salvador in April. It will also need our help and encouragement to think outside the Honduran national context and develop forward-looking proposals with region-wide relevance that do more than list existing programs. End Summary.

Pathways Delegation Visits Honduras

¶2. (U) WHA/EPSC Director Matthew Rooney led a USG delegation to Tegucigalpa February 9-10 to coordinate with the GOH and the Honduran private sector and civil society on preparations for the Pathways Ministerial slated to take place in San Salvador in April. Honduras volunteered at the first Pathways Ministerial in Panama last December to coordinate the working group on increasing opportunities for citizens to take advantage of trade (Pillar I). Rooney was accompanied by WHA/EPSC trade officer Susan Garro, EEB/BTA Director Bob Manogue and USTR trade capacity building coordinator Fran Huegel. The Ambassador accompanied the team in its meeting with the Minister of Trade and Industry.

Ministry of Foreign Affairs

¶3. (SBU) Vice Minister of Foreign Affairs Eduardo Rosales undertook to coordinate with the Ministry of Trade and Industry (SIC) to ensure that Honduran leadership of the working group would be successful. He indicated that coordination between MFA and SIC had not always been good and

expressed concern about SIC's capacity to manage the Pillar I portfolio effectively without assistance. He assured USDEL that the MFA understood the eventual work plan would have to encompass broader strategic objectives rather than focus exclusively on technical trade issues. Rosales said he would brief Foreign Minister Patricia Rodas on the importance of the Pathways initiative and ensure that SIC understood the seriousness of the undertaking. He said he had put Pathways on the agenda for President Zelaya's meeting with Chilean President Bachelet for the following day. (Comment: Bachelet arrived that evening; we have not been able to confirm whether the two presidents in fact discussed Pathways in their meeting. End Comment.) He said Trade and Industry Minister Cerrato would be in the meeting, so having it discussed between the two presidents would impress on him the gravity of the responsibility he had undertaken. Rosales also said he would encourage SIC to use Honduran Embassies in Pathways countries to convey information about the working group to counterparts there. He suggested that an upcoming meeting of the Central American Integration System (SICA) would provide an opportunity to promote coordination among Central American countries on proposals for the Pillar work plans.

Ministry of Trade and Industry

¶4. (U) Vice Minister of Trade and Industry Ana Murillo briefed the USDEL on the new GOH strategy to promote micro, small and medium enterprises (called MIPYMES in Spanish). The strategy emphasizes technical assistance and training,

soft loans, leveraging foreign assistance and preferences for government contracts. SIC's proposal for the Pathways Pillar I working group is to share this strategy with other Pathways countries as a model. Rooney urged Murillo, who has the lead in SIC for the working group, to reach out to other interested Pathways governments to solicit information on their programs for promoting SMEs and other activities under Pillar I. The working group could then compile the information into a best practices outline to be considered by the Ministers. He suggested it would also be useful to consult with the private sector and civil society to obtain their input and encouraged the GOH to use Pathways both as a platform for maximizing public awareness of its programs and encouraging all Pathways governments to be looking ahead at additional reforms and programs that might be necessary.

¶5. (U) Murillo said she could reach out through the El Salvador-based Cenpromype but did not know how she would coordinate with other Pathways governments outside Central America. Rooney said El Salvador was willing to help out logistically, and the USG was also prepared to help in any way needed, including by relaying information through our embassies in Pathways countries.

¶6. (U) At one point Murillo and her staff suggested hiring outside experts to help develop a strategy for the working group. But Minister Fredis Cerrato said there had been enough workshops and studies done already and it was time to bring things down to earth. When it was suggested that the working group, in addition to cataloguing what governments are doing to promote SMEs, also reach out to the SMEs and small farmers themselves to identify what they see as the obstacles to their greater participation in global commerce, both Cerrato and Murillo indicated they thought they had already conducted sufficient internal consultation with the private sector and no further such outreach was necessary.

Private Sector and Civil Society

¶7. (U) Embassy organized a roundtable with business representatives, a cocktail at the Ambassador's residence with major public intellectuals and a meeting with select NGOs that might be expected to take part in Pathways

activities.

¶18. (U) The business representatives welcomed the Pathways process as another channel to attempt to convey their views to their government. They showed strong interest in participating in the Pathways Ministerial but less interest in providing input to the working group to be coordinated by the GOH. They expressed frustration with the lack of effective communication with the GOH. Rooney assured them the USG saw Pathways as a transparent process designed to encourage governments to design policies grounded in reality.

The Executive Director of the AmCham undertook to contact the AmCham in El Salvador to identify potential mechanisms for channeling private sector proposals for consideration by the Ministers and to coordinate with the local and national chambers of commerce in that effort.

¶19. (SBU) The senior advisor of the Covelo microfinance foundation, which operates with funding from local sources and the Interamerican Development Bank, explained Covelo's experience channeling micro loans, averaging USD 1,000, to SMEs. He said that while financing for SMEs existed, it did not reach far enough into rural pockets of poverty. Small farmers' access to credit was constrained by the requirement that land titles be used as collateral. Honduras lacked an effective mechanism for land titling; women in particular face difficulties with establishing land title in their own names. In addition, most small businesses and farmers needed additional assistance to prepare for the export market, for example to be able to meet quality and certification

standards, and how to market their products. He said that Honduras lacked an effective mechanism for supporting micro businesses to help them grow beyond the micro level and that many Honduran micro-entrepreneurs in any case lacked the vision of a growing business. SIC, he said, was a weak ministry that was unable to provide the kind of assistance that microindustry needed.

¶10. (U) A representative from the Panamerican Agricultural School at Zamorano explained that institution's long history of training and providing extension services to small farmers throughout Latin America. She stressed the importance of additional efforts to attract medium-sized foreign direct investment to Honduras and for increased focus on access to technical and entrepreneurial training for women to allow them to increase family incomes.

¶11. (U) At the event at the Ambassador's residence, there was broad understanding among the political and intellectual leaders present, including the former President and Trade Minister who had negotiated CAFTA, of the strategic significance of the Pathways initiative. Their comments indicated they understood the need for a democracy rooted in responsive institutions that could channel and facilitate the realization of the political, economic and social aspirations of the Honduran people. Several asked whether there would be additional assistance funds available through Pathways. Former President Ricardo Maduro (2002-2006) asked whether Pathways was an attempt to renegotiate CAFTA. USDEL responded negatively on both counts.

HENSHAW